Sect. II 43—2/38—1

Enclosure (192/) Department

SERIES.

G.O. No. 575

575

DATED - 4 - 21

11-4-21

[Despatch Abstract.]

No 1385-III
23.9.21

O.F. 99—6,886—22-1.

CO-OPERATIVE - **DEPARTMENT**

Received ..... 191 *Registered* 191

Subject

In The Mangalore Catholic Co-op. C. Society

Reporting a case of defalcation in the South Canara District.

28 SEP 1920
SPECIAL DEPARTMENT

ENCLOSURES.
No. ....
Spare copies ....

R.C. -- No. 3377/20.

Station Egmore, Madras *Dated the* 21st Sept. 20. 191

From (Name) M.R.Ry Rao Bahadur A. Vedachala Ayyar Avl., B.A.,
(Designation) Ag: Registrar of Co-operative Societies.

To The Secretary to the Government of Madras,
REVENUE (SPECIAL) - Department.
Stone House Hill, Ootacamund.

X
For other case
Thanjavur 508
1482
12-8-20 (C) &
2195 (I)
14/12/20

Sir,

I am sorry I have to report another case of defalcation in the South Canara district. In the Mangalore Catholic Co-operative Credit society which is an urban bank having a large amount of deposits at very low rates of interest and which has been working very successfully hitherto has had the misfortune of having a Secretary by name Mr. V.M.Pinto who ran into considerable ~~debts~~ debt on account of his speculative private transactions. In this institution,

ie Secretary has not been issuing receipts for the payment of money n duplicate one of which ought to be retained in the office for he purpose of audit. This defect was noticed by the auditors as well as by the directors. So early as even 1917, the attention of the general body was drawn to this and it also desired that separate receipts should be issued to the members for payment of money and that a duplicate should be preserved for the purpose of audit but the secretary who has been committing frauds in regard to the money received especially ~~in regard to money received~~ from the Roman Catholic priests at Mangalore avoided the issue of receipts but entered the amount in the pass book only. These books were with the members. The secretary acknowledged the receipt of the money in those books but brought to the cash account only such sums as he thought fit. The Reverend Fathers Lunazzi and Rondano have been giving fixed deposits to the society. The pass books in proof of money received from these gentlemen prior to 1918 are not available but the pass book from the 3rd July 1918 is available. From a perusal of that pass book it is found that a sum of Rs. 10,300/- was deposited on 3rd July 1918 and a sum of Rs. 5975/- on the 8th July 1918. Interest on the 1st sum of Rs. 618/- was credited on 3rd July 1919. The total of the deposit was Rs. 10,918/-. This was renewed on the 3rd July 1919. A similar deposit for a sum of Rs. 16,915/- was also renewed on the 3rd July 1919. Both these items were transferred to current account. The balance to the credit of the depositor according to the pass book was Rs. 28,620/-. These entries do not find a place in the cash book while the current account ledger balance to the credit of the said depositors was only Rs. 6,620/-. Therefore the secretary has been handling a sum of Rs. 22,000/- from before 1918. When there was a pressure on him by the depositors to return the money in July, he transferred them to current account by making entries in the pass book only and made the depositors understand that owing to pressure of money he could not pay it. This irregular procedure of issuing pass books and avoiding granting separate receipts was noticed by the

Chief Inspector

4

GOVERNMENT OF MADRAS.

****

REVENUE (SPECIAL) DEPARTMENT.

MEMORANDUM.

No.1385-III/20-1, dated 26th October 1920.

Reference,- Letter from the Registrar of Co-operative Societies, R.C. No.3377/20, dated 21st September 1920: defalcation in the Mangalore Catholic Co-operative Credit Society.

The Government request that a further report may be submitted on this case, more particularly with reference to the system of account-keeping adopted in the society. It is stated that the defective account-keeping in the society was already noticed by the auditor and brought to the notice of the society. Were these comments contained in the interim audit report or in the final audit note and were they published for the information of the shareholders and depositors? Full texts of the audit reports and the comments passed thereon by the Assistant Registrar should be submitted to the Government. The Registrar is requested to consider and report whether the system of account-keeping and audit is not capable of improvement.

(By Order)

K.Nageswara Rao.,

Under Secretary to Government.

To the Registrar of Co-operative Societies, Madras.

Forwarded to the Registrar of Co-operative Societies, Madras.

(By Order)

DEPUTY COLLECTOR.

C.T. 26-10-1920.

D 53 III
5.1.21

5

C.F. 20—9,666—20-1-16

CO-OPERATIVE **DEPARTMENT**.

Received ..... 191 . *Registered* 191

-5 JAN 1921

Subject

Reporting on the defalcations in the Mangalore Catholic Co-operative Credit Society.

Enclosures.
No.
Spare copies

R. Gl. No. 4329/20

Station Madras, *Dated the* 3rd January 1921.

From (Name) F. R. Hemingway Esq., I. C. S.,

(Designation) Registrar of Co-operative Societies, Madras,

To The Secretary to the Government of Madras,

Revenue (Special) Department.

Fort St. George,

Madras.

Sir,

In continuation of my letter R. C. No. 3377 dated the 21st September 1920 and with reference to Government memorandum No. 1385-111/20-1, dated the 26th October 1920, I have the honor to state that the Secretary of the Mangalore Catholic Co-operative Credit Society Ltd., was charged under section 409 Indian

Indian Penal Code--criminal breach of trust by an agent--found guilty and sentenced to three years' rigorous imprisonment and a fine of Rs. 300/- and in default of payment of fine, to undergo further imprisonment for one year.

2. The cause of all the trouble was the failure by the society to issue receipts for payments made into the society in addition to the entries in the pass books. This was assisted by the general slackness of the society's administration and the fact that the secretary was left to his own devices. In other respects the accounts maintained are those usually kept by an urban society.

3. The defect was apparently first noticed in 1917 and communicated to the society by letter, a copy of which is herewith forwarded. The society took no action; and the paper was lost sight of in the Assistant Registrar's office. For this I do not much blame either the Assistant Registrar or his office. He was at that time in charge of four difficult districts, was understaffed and overworked.

4. The defect does not find place in the audit reports of 1917 or 1918. It was, however, effectively brought to the notice of the society and the general body in 1918 by the society's auditors, not improbably after seeing the Assistant Registrar's letter.

5. The lightness with which the matter was regarded may in part be due to the fact that the society originally started (1912) before the introduction of the system of receipt books into our rules(1915); and the society may have thought that the system they had already worked for 5 years was quite enough for them. The society appears to have been conceited as well as incompetent and probably resented interference.

6. It is clear (a) that the letter of 1917 ought to have been followed up, (b) that the audit all along

should

should have been more thorough and (c) that the published audit order of 1917 and 1918 ought to have mentioned this defect. This latter error was probably due to a mistaken wish to spare the dignity of the society, a letter being used instead.

7. As stated above, I do not much blame the officers of the department. They were overworked and understaffed. That is all changed now. Inspection is frequent and thorough and the staff is adequate.

8. A copy of the Assistant Registrar's letter R. C. 571 dated the 11th November 1920 is also forwarded for the information of Government.

I have the honor to be,

S i r,

Your most obedient servant,

For Registrar.

Copy of letter R. C. No. 1057 Sub of 1917 dated 15th October 1917 from M.R.Ry., P. K. Kunhunni Menon Avl., Assistant Registrar, Calicut to the Secretary, the Mangalore Catholic CO. Credit Socy. No. 935.

Rule VII (4) of the rules issued by the Government under the Co-operative Societies Act requiring that receipt book containing forms in duplicate should be maintained by all credit societies and I have the honor to enquire whether your bank fulfils the condition of the rule. By-law 44 of your society also equires that receipts should be issued for all payments. I request that the exact practice obtaining in your bank in this respect may be reported to me with any representation which your Board of Management has to make in this matter.

Copy of letter R. C. No. 571 Sup. of 1920 dated the 11th November 1920 from the Assistant Registrar, Mangalore to the Registrar.

Adverting to your R. C. No. 3377/20, dated 29-10-20 received by me on the 4th instant, forwarding for report a copy of Government Memorandum No. 1385-111/20-1, dated 26-10-20, on the subject of the defalcation in the Mangalore Catholic Co-operative Cre Society No. 935, I have the honor to state as follows:-

The system of account keeping in the society is generally identical with the system obtaining in other credit societies. But as regards the issue of receipts for payments made into the society, the system of maintaining receipt books with duplicate forms appears to have been dispensed with even from the very commencement. In the place of this system there was the pass book system, under which all depositors and shareholders were to be supplied with a pass book, each and every transaction

both receipt and disbursement was to be noted under the signature of the secretary and the impression of the society's seal. In addition there were also the paying in slips (or chalans) and the withdrawal forms about which I have already reported in detail in my D. O. letter dated 1st August 1920.

I enclose a list showing the books maintained in the society and also such of the books which are prescribed in the manual of account forms but not maintained in the society. The omission as will be seen from the said list of certain prescribed columns in the books maintained is due to the fact that the available printed registers themselves did not contain them. It was not intentional. It has to be remembered that the manual was prepared long after the society was started. The society was inspected on various occasions by inspectors, Assistant Registrars and Registrars (vide statement enclosed) and the general system of accounts maintained in the society was not thought defective. I may here quote the remarks made by the Registrar himself on 15th January 1915 in which the state of accounts has also been referred to.

Mangalore Catholic Co-operative
Credit society 935.

Accounts of the Mangalore Catholic Co-operative Credit society Ltd., was inspected on 15th January 1915. Mr. Kunhunni Menon, Deputy Collector under training was also present. The books are maintained by the new secretary, Mr. V. M. Pinto, with scrupulous neatness and care. Among special features of this society's procedure are (1) There is no overdue loan (2) All the loans are advanced on personal security (3) Most of the loans are for small amounts and only 1¼ pies per rupee per mensem

is charged as interest on loans of Rs. 50 and less. (4) Every member receives a pass book in which his current accounts and loan transactions are entered. (5) Every person who pays in money tenders a chalan signed by himself or by his messenger; (6) Thumb impressions are used; (7) All the working capital is raised locally, fixed deposits for 6 months and more carrying 6 per cent (8) There are no renewals of loans.

The liability register showing the amount of each person's indebtedness under principals' loans and suretys' loans and the dates when each item of liability was contracted and discharged should be written up regularly. The secretary has promised to do so. I think the society has made great progress and gives promise of doing better in future. I would suggest that loans be regulated, as in most other societies, by the number of shares taken by the borrowers.

Sd. L. D. Swamikannu
Registrar of Co-operative
15th January 1915. Societies.

As noted in the list of registers etc., enclosed some registers have either been neglected or imperfectly maintained. Instructions have been issued personally as to how to maintain them. The defects are being rectified.

I see from the correspondence file maintained in the society that M. R. Ry., P. K. Kunhunni Menon Avl., B. A., Assistant Registrar of Co-operative Societies of the then Calicut section that comprised this district also, wrote a letter (R.C.No. 1057 dated 15-10-1917) drawing the attention of the Managing

Copy at P. 8 supra

committee to rule VII (a) of the rules framed under the Act and asking them to introduce the receipt books with duplicate forms. A copy of the said letter is enclosed. The original, is not however, traceable in this office. I think that it must be in the Calicut Section's office. The secretary, (V.M.Pinto) who received the letter never brought it to the notice of the members of the committee. There is no record in my office to show that these comments were embodied either in the interim audit reports or final audit notes. The society's private auditors who are, according to the by-laws to audit the accounts once in a quarter, however, subsequently pointed out, perhaps on seeing the Assistant Registrar's letter in the society's file, the omission to maintain receipt books in their report dated 1st October 1918 which was printed along with the Administration report and read over to the General Assembly including the depositors and shareholders. The printed report was, as usual, supplied to all members. A copy of this report is also submitted. The private auditor's suggestions thus came up for discussion in the General body meeting held on 6th April 1919. The meeting decided that receipt books should be maintained as suggested from 1st July 1919 onward. A copy of the resolution of the general body is also enclosed. It was then the duty of the Managing committee to enforce the resolution. But the secretary who was interested in not maintaining the receipt book avoided carrying out the resolution and the remaining members of the committee never cared to see to it. A specimen of the receipt now given to members and others for payments made into the society in addition to the entries in the pass books is enclosed. There is also the paying

in

slip and this is pasted to the counterfoil of the receipt maintained in the society, for purpose of check. Each payment is now scrutinised by three men, the secretary, the treasurer and the ~~check~~ clerk who enters it in the accounts and all the three have to initial the ~~xxxxxx~~ receipt. Security has also been demanded from the secretary and the treasurer to the extent of Rs. 1,000 each.

As described in the Government's memorandum I herewith submit audit reports and inspection reports submitted by inspectors from time to time and also the comments passed by the Assistant Registrar thereon. A list of these records is also enclosed. My Letter R. C. 940/20 dated 3rd September 1920 (copy enclosed) contains the suggestions made for improving the main defects noticed in the system of accounts. I think that so long as pass books are maintained, it will be better if these pass books are also got from the holders every ~~item~~ time an audit is made and compared with the ledger of the office to see that the entries in both tally. I have no other suggestion to make in the matter of audit. But I may add that the interim audit is now being conducted by our inspectors once in a quarter and not postponed as before till the end of the year.

12 Development Dept.

O. M. 1385 III/20-2 dated 21.2.21

Regd(9)
21/2/21

Refce:- Registrar's letters, R.c 3377/20 dt 21.9.20 and R. Gl 4329/20 dt 3.1.21 re: defalcation in the Mangalore Catholic Co-operative credit Society

The Registrar is requested to forward to Government for information at an early date, a copy of the judgment of the Sessions Judge South Kanara, under which the late Secretary of the Mangalore Catholic Co-operative Credit Society was sentenced to three years' rigorous imprisonment and a fine

RECEIVED
22 FEB. 1921

To Registrar of Co-operative Societies.

M. 20
A.R.
21-2-21
RR
21.2.21

Regd
21-2-21

13

O.F. 99—9,886—22-1-16

CO-OPERATIVE **DEPARTMENT**.

D 660 III

Received ..... 191 *Registered* 16 3 1921

Subject

Forwarding a copy of the judgment passed by the Sessions Judge, South Kanara in the case against the late Secretary of the Mangalore Catholic Co-operative Credit Society.

ENCLOSURES.
No. 1.
.....
Spare copies .....

RC No. 4329/20

Station Egmore, *Dated the* 11th March '21 191.

From (Name) F.R. Hemingway Esq., I.C.S.,

(Designation) Registrar of Co-operative Societies, Madras

To The Secretary to the Government of Madras,

REVENUE (SPECIAL) Department.

Fort St. George, Madras.

III

Sir,

Kayeirande

Adverting to Government Memorandum No. 1385-III 20-2 dated the 21st ultimo, I have the honour to forward herewith a copy of the judgment passed by the Sessions Judge, South Kanara in the case against the late Secretary in the Mangalore Catholic Co-operative Credit Society.

2. I request that the copy of the judgment may be returned to me when no longer required.

I have the honour to be,
Sir,
Your most obedient servant,

F.R. 14.3.21

F Hemingway
Registrar. 1578.

Office of the Registrar of Co-operative Societies, Madras. 15/11/20

SESSIONS DIVISION, SOUTH KANARA.

October Sessions.

Monday, the 25th day of October 1920.

PRESENT :—A. NARAYANAN NAMBIYAR ESQUIRE, B. A., B. L.,
Ag. Sessions Judge.

Sessions Case No. 35 of 1920.

NAME OF THE ACCUSED :	...	V. M. Pinto.
CHARGE :		Criminal breach of trust by an Agent—Section 409 I. P. C.
ASSESSORS :	Messrs.	1. Attavar Santalva (Bunt).
		2. Naraina Vaijappa Bhandari (Gowd Saraswath Brahmin).
OPINION OF ASSESSORS : ...	...	*1st Assessor* :—"My opinion is that the accused is only civilly liable and not guilty under Section 409 I. P. C."
		2nd Assessor :—"My opinion is also the same."
FINDING OF THE JUDGE : .	...	Guilty.
SENTENCE AND ORDER :	...	The accused is sentenced to three years' rigorous imprisonment and a fine of Rs. 300, and in default of payment of fine, to undergo further rigorous imprisonment for one year.

The accused was defended by Mr. P. Sanjiva M. A., B. L.

JUDGMENT.

The accused is charged under Section 409 I. P. C. with having committed criminal breach of trust in respect of two amounts of Rs. 8,000 and 10,000 respectively. He was the Secretary of Mangalore Catholic Co-operative Credit Society (hereafter referred to for brevity's sake as Society). As such, it was his duty to receive and disburse all moneys of the Society and he could not keep more than Rs. 100 (it was originally Rs. 10 but subsequently raised to Rs. 100) with him but must send them to the Bank of Madras. Father Muller's Charitable Institutions (hereafter referred to as Institution) had dealings with the Society. In the course of the dealings one sum of Rs. 10,000 was entrusted to the accused on 20—4—1916 for being deposited in the Society but he deposited only Rs. 2,000 and misappropriated Rs. 8,000 and this is the first charge. The second charge is that on 3—1—1917 he withdrew from the Society a sum of Rs. 10,300 deposited by the Institution on 23—12—1915 and misappropriated Rs. 10,000 out of it and paid only Rs. 300 to the Institution.

2. It was Rev. Father Cavaliere who carried on the dealings on behalf of the Institution but he fell ill and had to leave Mangalore about the end of January 1918, and finally he died in Bangalore in July 1918, and his evidence is therefore not available now.

3. The first Pass Book issued to the Institution is also not forthcoming now. It must be in the possession of the accused, because it is proved by P. Ws. 4 and 6 (Rev. Father Repetto and Rev. Fr. Rondano) that it was handed over to the accused in September 1918 for the purpose of issuing a new book as suggested by the accused and not returned. It appears that after the death of Rev. Fr. Cavaliere and after P. W. 6 took charge of the Institution, it was found necessary to enter the name of P. W. 6 in the old Pass Book, and so it was taken to the accused by P. Ws. 4 and 6. Then accused said that there were too many erasures in the book and suggested that a new book might be opened. P. Ws. 4 and 6 agreed to it and left the old book with the accused and went away. That was in September 1918. About two months afterwards the accused sent the new Pass Book, Exhibit A, to P. W. 6 but did not send the old book. It is in this way that the old book was left with the accused. It ought to be preserved in the office of the Society but it is not there. So, the presumption is that it is with the accused. There is no reason at all to doubt P. Ws. 4 and 6 on this point and they are also supported by Exhibits Y, T and S. In Exhibit S the accused admits the possession of the Pass Book for the purpose of changing the name. If the old book were here we could have seen more clearly what all fraudulent entries were made in it by the accused, and it was probably to conceal that fact that he suggested the opening of a new book so that he might take possession of the old book. And that is apparently the reason why it was not preserved in the office and is not produced now. As we see from the other evidence in this case, the accused must have made some entries in the old Pass Book which are not found in the accounts of the Society. The unfortunate death of Rev. Father Cavaliere has also helped the accused now to say that there is no direct evidence about the entrustment and misappropriation and the dishonest intention.

4. What the accused says is that there was an understanding between him and Rev. Father Cavaliere that the amounts paid by the latter may be utilised by the former as temporary loans and deposited in the Society at his (accused's) convenience, that accordingly the accused according to his convenience deposited a portion of the amounts paid to him and that the balance is due by him to the Institution or to be deposited in the Society. This is what he has stated in a written statement put in by him in the lower Court. When the Magistrate asked him on 3—9—1920 what he had to say, he replied that he would put in a written statement through his Vakil, and on 7—9—1920 he put in the written statement which is filed here as Exhibit BB. It is from that written statement that I have taken his defence. In this Court also he adhered to that statement. It is seen from that statement that he does not dispute the figures. So, there is no doubt as to the correctness of the figures. Further, on 22—7—1920 he has written Exhibit L to P. W. 2 and the figures are given there. Again in Exhibit A also there are the figures and they are all written and signed by him. Again on 27—7—1920 he has admitted the correctness of the figures in the presence of P. Ws. 1, 3 and 5. On that day P. Ws, 1, 3 and 5 had gone to the Sub-Inspector of Police with the complaint (Exhibit E) and then the accused came there and he was asked by P. W. 1 to explain the difference of Rs. 22,000 between Exhibit A and the Society accounts, and it was then that the accused said "I am bold enough to say I did it" according to P. W. 1, and P. W. 3 says that the accused said that he spent the difference. The accused does not deny what P. W. 1 speaks of, but what he says is that he admitted only the civil liability and not his criminal liability. Thus it is clear that the accused does not dispute the correctness of the figures.

5. Though, as I have shown above, the accused himself does not deny the correctness of the figures, it was argued by the learned pleader who appeared for him

that the five deposits of Rs. 2,000 each in October, and November 1916 may be the 8,000 which is alleged to have been misappropriated by the accused. If that be so, the accused would certainly have said so plainly, and he would have denied the correctness of the figures. So, I am unable to attach any value to the argument of the vakil on this point.

6. It was also argued by him that these five deposits are almost weekly deposits and that therefore it is likely that they are deposits made by the accused in accordance with the struck out entry in Exhibit F4. Here it must be stated that Exhibit F4 is the mark given to two entries one of which is struck out and the other is added in its place. The struck out entry says this:—"I have handed over to Mr. Pinto, Secretary, Rs. 10,000 to be deposited in Society at 2,000 per week till the whole sum is deposited." This is written by Rev. Father Cavaliere. The argument is not tenable because in the first place the dates will not be correct. The amount was given on 20—4—1916. So the first deposit must be on 27—4—1916 if it must correspond to the said entry, and all the remaining four deposits must be in May 1916, but those are not the dates of the five deposits. They are in October and November 1916. Rev. Father Cavaliere may have thought of depositing Rs. 10,000 at the rate of Rs. 2,000 a week and may have asked the accused to make the deposits when he entrusted him with Rs. 10,000 on 20—4—1916, but afterwards when he found that the accused did not do so, he (Father Cavaliere) may have excused him (accused), and a couple of months afterwards he might have carried out his original idea of depositing Rs. 10,000 by weekly instalments. This will explain the weekly nature of the five deposits of Rs. 2,000 each.

7. In the 2nd place the amounts will not be correct. Rs. 2,000 was deposited on 4—5—1916. So, there remained only Rs. 8,000 out of Rs. 10,000 given, and there can be only four weekly deposits and not five.

8. Again by the time of the handing over of Exhibit A by the accused to P. W. 6 (about November 1918) all the said deposits of Rs. 2,000 each were withdrawn and there was no necessity for entering Rs. 8,975 in Exhibit A if the deposits of Rs. 2,000 each related to this Rs. 8,000.

9. So, leaving out of account the argument that the deposits of Rs. 2,000 each in October and November 1916 may be the 8,000 in question, I shall consider the prosecution evidence as to the charges.

10. Exhibits F and F1 are the Cash Books of the Institution and Exhibit H is the Ledger of Deposits. It must be said that there are some mistakes here and there in these books but they are substantially correct. For instance in Exhibit F in the entry dated 20—4—1916 there is a credit side which is marked F5 and we see from it that the sum of Rs. 10,000 was given on 8th. The month is not given. Apparently the month intended was July as we see from the other records in this case and yet the entry is dated 20—4—1916 and it says "deposited in Society on 8th." Again at page 226 of the same book, there is an apparent mistake in date. It is put down there that the interest for six months from 23—6—1915 to 23—12—1916 was paid and it came to Rs. 300. "23—6—1915" is an apparent mistake for "23—6—1916." Otherwise "six months" will not be correct and the amount will not be correct. Again in Exhibit F1 under date 13—12—1918 there is an entry of withdrawal of Rs. 5,250 from Society, but the withdrawal was from the Bank of Madras. There are similar mistakes in page 20 of Exhibit A also. In the last column of that page some dates are put down and they are not correct. From the heading of the column we see that the date of renewal or withdrawal is to be given,

and as a matter of fact some of the dates given there are of renewals or withdrawals, but in respect of the Society the dates given are the due dates under the renewal. It is proved that they are in the handwriting of Father Cavaliere who died in July 1918 and I see no reason to doubt this evidence of P. Ws. 2, 4 and 6. So, the entries must have been made prior to July 1918 and therefore the dates given in the last column must be the due dates under the renewal. Further there were no renewals in October and November 1918 because the deposits were withdrawn in September 1918. Thus it will be seen that the books cannot be absolutely relied on for correctness, but it is certain that they are true accounts and not cooked up accounts. So, we can rely on them when there is also other evidence in support of the entries.

11. Exhibits N to N2 and N5 and 6 are Cash books and O and O1 Fixe Deposit Registers of the Society. It was argued by the learned vakil for the accused that these books are also not regularly kept as we see from P. W. 3, but in spite of the statements made by P. W. 3 contradicting his deposition in the lower Court, it is not shown that there is any mistake in the accounts of the Society. I have remarked already that even the accused does not deny the correctness of the figures in this case. The accused himself used to sign the cash book every day at the close of the day. So, I see no reason to doubt the correctness of the accounts of the Society.

12. Now coming to the first charge, we have first the entries in Exhibit F (they are marked F4 and F5) to show that Rs. 10,000 were given to the accused by Father Cavaliere on 20—4—1916. Though this was first given for weekly deposits of Rs. 2,000 each, the idea was afterwards given up, either because the accused was unable to do so and Father Cavaliere excused him or because there was some other reason. That the idea was changed afterwards is clear from the first entry being struck out and new entry made instead, and from the fact that the words "on 8th" are added in F5. I think that the correction must have been made on 8—7—1916 or 10—7—1916 when the accused must have brought the Pass Book and given it to Father Cavaliere with the representation that Rs. 8,000 were deposited on 8th, the balance Rs. 2,000 having been already deposited on 4—5—1916. There are reasons for thinking so.

13. The books of the Society show a deposit of Rs. 2,000 on 4—5—1916 but the books of the Institution do not show any such deposit. The accused must have deposited Rs. 2,000 out of the Rs. 10,000 entrusted to him on 20—4—1916. [The paying in slip P6 is written by him and signed by P. W. 3 under his orders (*vide* P. W. 3).] There is accused's own letter Exhibit B to show that. It is dated 19—6—1916. In it he says that he has deposited a portion and that he will deposit the remainder by 5—7—1916 when the Society will be in need of funds and that the Pass Book will be returned then. This shows also that the accused was left in possession of the Pass Book apparently to enable him to deposit the amounts in time. From this letter I am inclined to think that the accused must have told Father Cavaliere that the money could be deposited only when the Society was in need of funds and that must have been the reason why Father Cavaliere did not find fault with the accused for not making weekly deposits from 20—4—1916. It is true that the amount is not mentioned in Exhibit B but there are other documents to show that the portion referred to therein must be Rs. 2,000 and that the remainder must be Rs. 8,000. From the books of the Society and the paying in slip we find that there is no deposit between 20—4—1916 and 7—10—1916 except the sum of Rs. 2,000 deposited on 4—5—1916. So, the portion referred to in Exhibit B on 19—6—1916 must be the

said Rs. 2,000 and we see from the books of the Institution that there was no deposit by the Institution on 4—5—1916. The balance Rs. 8,000 is found in Exhibit H under date 8—7—1916. It is not found in the cash book (Exhibit F) on 8—7—1916 because no cash was paid by the Institution *on that day*. The payment was made on 20—4—1916 but on the credit side of that entry we find the addition "on 8th" in the entry dated 20—4—1916 and we find also the striking out of the original entry on the debit side and the substitution of another entry. In Exhibit B it was stated that the balance would be deposited by 5—7—1916 but subsequently the accused wrote Exhibit R on 29—6—1916 saying that some more time was necessary and that the Pass Book could be brought only on 10—7—1916, but as a matter of fact we find the date 8th given in Exhibit H in respect of Rs. 8,000, and we see also an addition of the words 'on 8th' in Exhibit F in the credit entry of Rs. 10,000 dated 20—4—1916. It was argued by defence vakil that Father Cavaliere might have presumed that the accused made the deposit of Rs. 8,000 and so made the entry of 8—7—1916, but I cannot accept this suggestion. If there was any room for presumption of date it would have been 10—7—1916 and not 8—7—1916, because the date mentioned in Exhibit R is 10th and not 8th. When we find a prior date the presumption must be that the accused turned before the due date and gave the Pass Book with the entry of Rs. 8,000 on 8—7—1916 or that the accused came on 10—7—1916 and handed over the Pass Book containing an entry of the deposit of Rs. 8,000 on 8—7—1916. Otherwise Father Cavaliere would not have noted the date 8th in the cash book and entered the deposit of Rs. 8,000 in the deposit account under date 8—7—1916. Father Cavaliere must have made the entries only after he got back the Pass Book mentioned in Exhibit R.

14. There is paying-in-slip for Rs. 2,000 but no paying-in-slip for Rs. 8,000 and this shows that there was really no deposit of Rs. 8,000. The books of the Society show that there was no deposit of Rs. 8,000 on 8—7—1916.

15. In Exhibit H again, we find that Rs. 8,000 is shown as renewed (principal and interest) on 8—7—1917, and there is also another entry down below saying that on 8—7—1917 Rs. 8,480 were deposited. Rs. 480 is the interest on Rs. 8,000 for one year and that is why Rs. 8,480 is shown as deposited. This interest was paid to the Institution on 31—8—1917 as we see from page 286 of Exhibit F, but on 8—7—1917 it was due and it was included in the renewal of that day.

16. The payment of interest for one year from 8—7—1916 to 8—7—1917 is entered in page 286 of Exhibit F and this shows that the Institution did really deposit Rs. 8,000 on 8—7—1916 and there is no other Rs. 8,000 except this portion of Rs. 10,000 given on 20—4—1916.

17. In 1918 July, there must have been another renewal entered in the old Pass Book and the correct amount will be Rs. 8,988—12—0 (including the interest on Rs. 480 also) but as a matter of fact the amount appears to have been shown as Rs. 8,975, because that is the figure brought down in Exhibit A which is the renewed Pass Book. This difference may be due to the fact that the accused made some mistake with regard to the date of payment of interest. The payment could not have been entered in the Pass Book as it was made about two months after renewal and so there was room for mistake. This sum of Rs. 480 was also not paid from the funds of the Society as we see from their accounts. The accused must have paid it out of his own funds as he has misappropriated the capital.

18. I have already referred to Exhibits Y, T and S which show how the old Pass Book went into the hands of the accused in September 1918. That was about two months after the renewal of 1918 and naturally the last entry of the old Pass Book will be brought down to the new Pass Book (Exhibit A) and we find Rs. 8,975 in the new book. If the old Pass Book did not contain an entry of a deposit of Rs. 8,000 on 8—7—1916 this is impossible. Exhibit A is written and signed by the accused.

19. It must be mentioned here that there is some mistake in Exhibit Y as to the amount and date. The correct amount is Rs. 8,480 and not Rs. 8,400 and the correct date is 8th and not 7th. This is an inaccuracy similar to those pointed out by me in respect of Exhibits F and F1 and H.

20. The renewals of 1919 and 1920 are written and signed by the accused himself in Exhibit A and they also show that there must have been an entry of a deposit of Rs. 8,000 on 8—7—1916. Otherwise the amounts and dates in Exhibit A cannot be correct. Exhibit L also shows the same thing.

21. So, there is no doubt that the accused misappropriated Rs. 8,000 out of the Rs. 10,000 entrusted to him on 20—4—1916. No doubt Exhibits B, K, K1, J, Q and R show that Father Cavaliere did not blame the accused for not making weekly deposits as originally intended, and I have already said that the reason for it may be found in Exhibit B itself. It says that the deposit will be made on 5—7—1916 *when the Society will stand in need of funds.* This must have been the reason given to Father Cavaliere by the accused. I cannot therefore infer from these documents that the case of the accused that Father Cavaliere allowed him to treat the money given into his hands for deposit as temporary loans is true. Till 8—7—1916 Father Cavaliere seems to have allowed him to retain the money with his consent but from 8—7—1916 there is nothing to show any such consent. On the other hand, from that day forward the accused must be deemed to have committed criminal breach of trust by an agent.

22. It was argued that Exhibits B, Q and R are private letters and not official letters. I cannot believe so. Because the accused asks for blessings and subscribes himself as obediently in Christ, it does not follow that the letters are private. The accused seems to have induced Father Cavaliere to believe that he was a very pious Christian who seeks blessings even in official letters. Father Cavaliere was apparently duped by the accused by these letters etc., and the result was that he had a high opinion of the accused as we see from P. W. 4 and Exhibit K1.

23. As to Rs. 10,000 the records of the Society and the Institution agree up to 3—1—1917 when it was withdrawn. Instead of redepositing it on the same day it was misappropriated by the accused. It is argued that there is no direct evidence to show that it was entrusted to the accused. Exhibit M shows that it was withdrawn under a slip signed by Father Cavaliere and there is no endorsement on it that the amount must be paid to the accused but the entries in the Pass Book are written and signed by the accused and he can therefore be taken to have admitted that he is in possession of that money when the accounts of the Soceity do not show that money was left in the Society.

24. The interest on this amount was paid to the Institution by the accused on 22—1—1918 (*vide* page 24 of Exhibit F1). The Society did not pay this interest as we see from the books of the Society. This shows that the accused must have misappropriated this amount on 3—1—1917.

25. There were only two deposits of Rs. 10,000 each. One was withdrawn in September 1918 before Exhibit A was handed over to P. W. 6 (about November 1918). The other with its interest came to Rs. 10,300 on 3—7—1918 and we find this figure entered in Exhibit A by the accused himself.

26. Without the said 10,000 the balance cannot be 18,000 odd which will be the balance even according to the calculation of the learned vakil for the accused.

27. The accused himself has admitted in Exhibit L that Rs. 28,620 is due to the Institution and if the Rs. 10,000 in question is left out, the balance can never come to Rs. 28,000 odd.

28. The Institution has received Rs. 3,600 as interest for 1917-18 and this annot be correct if the interest on Rs. 10,000 is left out, but it will be exactly correct if the interest on Rs. 10,000 is also taken into account.

29. There are renewals of this amount entered in accused's own hand and signed by him in 1919 and 1920—*Vide* Exhibit A.

30. Exhibits P20 and 21 were found at the search in the house of accused's father-in-law. They do not bear any date. They are signed by Father Cavaliere who left Mangalore in January 1918. So, they must have been signed before that. Exhibit H shows that Father Cavaliere entered therein that this sum was renewed on 3—1—1918. So, Exhibits P20 and 21 must be the slips meant for the renewal of 1918 but not used, as the money was not in the Society and there was nothing to be renewed. So, the slips were left in accused's father-in-law's house.

31. There is no evidence at all about the loan theory set up by the accused.

32. I cannot take the admission of accused made on 27—7—1920 as an admission of criminal liability. He seems to have admitted only civil liability. P. W. 5 cannot be believed when he says that the accused said "I admit the offence." We see from P. W. 1 that these are not the words used by the accused

33. It may also be stated that the accused seems to have been keeping in his hands large balances of the Society towards the end of 1916 and beginning of 1917. Apparently he was in financial difficulties then and he may have misappropriated the funds of the Institution.

34. On the whole I find that the accused has misappropriated Rs. 10,000 of the Institution on 3—1—1917.

35. Dishonest intention can only be presumed by conduct and circumstances. Rs. 8,000 was entered in the Pass Book without paying the amount to the Society and without entering it in the books of the Society from 8—7—1916, and the accused paid out of his own pocket the interest on that sum for one year. Similarly with regard to Rs. 10,000 it was entered in the Pass Book but not in the books of the Society after 3—1—1917, and the accused paid interest on it for one year out of his pocket. The accused knew that the holder of the Pass Book has no access to the books of the Society in which different entries are made, and that the man who makes those entries has nothing to do with the Pass Book as it is written and signed by the accused himself and that therefore he (accused) could make what entries he pleased in the Pass Book, and when we find difference between the Pass Book and the accounts of the Society and when we find also that the old Pass Book is suppressed by the accused, the inference is irresistible. All this shows dishonest intention.

36. I find the accused guilty on both counts.

37. I regret that I cannot agree with the Assessors who say that they are of opinion that the accused is not guilty. They find that the accused has used the money of the Institution but they say that that creates only civil liability.

38. I convict the accused and sentence him to three years' rigorous imprisonment and a fine of Rs. 300 under Section 409 I. P. C., and in default of payment of fine, to undergo further rigorous imprisonment for one year. I think that a severe sentence is necessary. Unless the offenders are severely punished, people will have no confidence in the Co-operative Societies which are not far advanced in this District. But at the same time, I must also consider the fact that the accused may not be able to stand a long term of imprisonment. He seems to have been in good circumstances though now he is involved in financial difficulties. On the whole have thought the above punishment is sufficient under the circumstances.

Mangalore,
25th October 1920.

(Sd.) A. NARAYANAN NAMBIYAR,
Ag. Sessions Judge.

NOTE:—The prisoner is committed to the Central Jail, Cannanore.

WITNESSES FOR PROSECUTION:—

1. Mr. P. D'Souza President (M. C. C. C. S.)
2. Rev. Fr. Lunazzi.
3. J. S. Lobo (Head Clerk).
4. Rev. Fr. J. Rebetto.
5. G. J. Mascarenhas (late Treasurer).
6. Rev. Fr. Rondano.

FOR DEFENCE.—Nil.

EXHIBITS FILED FOR PROSECUTION:—

A.	——————.	Pass Book No. 41 of M. C. C. C. S.
A1.	8— 7—1918.	Entry of deposit of Rs 8,975.
A2.	8— 7—1919.	Do. of Rs. 538—8—0 as interest on Rs. 8,957 for one year at 6%.
A3.	8— 7—1919.	Do. of Rs. 10,085.
A4.	8— 7—1920.	Do. of Rs. 10,690—1—7 as balance at credit of depositor.
A5.	Do.	Do. of Rs. 28,620 as do.
A6.	3— 7—1918.	Do. of Rs. 10,300.
A7.	3— 7—1919.	Do. of Rs. 16,915 at 6%.
A8.	3— 7—1920.	Do. Do. of Rs. 17,929—14—5 withdrawn.
A9.	Do.	Do. of transfer of Rs. 17,930 to current account.
B.	19— 6—1916.	Accused's letter to P. W. 2.
C.	26— 7—1920.	P. W. 2's letter to New Secretary of M. C. C. C. S.
D.	Do..	Do. with 7 Pass books.
E.	27— 7—1920.	Complaint of P. W. 1 to D. S. P.
F.	1-1-'15—25-10-'17,	Cash book of Fr. Muller's Institute at Kankanady.
F1.	26-10-'17—1-1-'20.	Do.
F2.	9—12—1915.	Entry in do. of Rs. 10,000 deposited in M. C. C. C. S. at 6% by Fr. Cavaliere.
F3.	22—12—1915.	Do.
F4.	20— 4—1916.	Do.
F5.	on 8——————.	Do. appearing in credit column of Exhibit F1.

F6.	2—10—1916.	Entry of deposit of Rs. 2,000.
F7.	10—10—1916.	Do.
F8	18—10—1916.	Do.
F9.	25—10—1916.	Do.
F10.	2—11—1916.	Do.
F11	23— 9—1918.	Do. of withdrawal of Rs. 12,420 by P. W. 6
F12	9—10—1918.	Do. of Rs. 2,120.
F13	18—10—1918.	Do.
F14	26—10—1918.	Do.
F15	11—11—1918.	Do. of Rs. 4,240.
F16	13—12—1918	Do. of Rs. 5,250 from Madras Bank.
F17	8— 1—1917	Do. of interest Rs. 300 from 23-6-1915 to 23-12-1916.
F18	22— 1—1918	Do. of Rs. 1,200 as interest at 6 % up to 3—1—1918.
G.	22-5-'19 to 21-1-'20.	Cash book of Fr. Muller's Institution.
G1	3— 7—1919.	Entry in ditto. of Rs. 1—8—0 relating to another transaction with M. C. C. C. S.
G2.	8— 7—1919.	Do. of Rs. 570 deposited with M. C. C. C. S.
G3.	Do.	Do. of Rs. 538—8—0 do.
H.	1-7-'11—2-7-'20.	Ledger of Institution.
H1.	8— 7—1916.	Entry of deposit of amounts in Bank and M. C. C. C. S. appearing on page 20 of Exhibit H.
H2.	3— 1—1917.	Entry of Rs. 10,000 at 6 % being due on 23-12-1917.
H3.	3— 1—1918.	Do. of Rs. 10,000 falling due on 23—12—1918.
J.	31— 5—1916.	Copy of inspection report by Registrar, Co-operative Societies, sent with Exhibit B.
K.	———————.	Cover of M. C. C. C. S. addressed to Rev. Fr. Caviliere in the hand of accused.
K1.	20— 6—1916.	Draft of letter to accused in the hand of Fr. Cavaliere.
L.	22— 7—1920.	Letter of accused.
L1.	———————.	Draft of do.
L2.	———————.	Press copy of Exhibit L.
M.	3— 1—1917.	Withdrawal slip for Rs. 10,300 signed by Fr. Cavaliere.
N.	4-12-'15—23-5-'16.	Cash books of M. C. C. C. S.
N1.	1-7-'16—31-1-'17.	
N2.	3-9-'18—18-2-'19.	
N3.	9—12—1915.	Entry of fixed deposit for 1 year of Rs. 10,000 from Fr. Cavaliere.
N4.	9—12—1916.	Do. of Rs. 10,000 from do. for 12 months.
N5.	23-11-'17—4-5-'18.	Cash books of M. C. C. C. S.
N6.	1-2-'17—18-6-'17.	
N7.	10—12—1917.	Entry of deposit of Rs. 10,000 for 12 months.
N8.	23— 9—1918.	Do. of withdrawal of Rs. 10,300.
N9.	23—12—1915.	Do. of deposit of Rs. 10,000 with Rs. 300 interest for 6 months.
N10.	4— 5—1916.	Entry of deposit of Rs. 2,000.
N11.	4— 5—1917.	Do. of renewal of redeposit of Rs. 2,000 for 1 year.
N12.	23— 9—1918.	Do. of withdrawal of Rs. 2,120.
N13.	7—10—1916.	Do. of fixed deposit of Rs. 2,000 for 12 months.
N14.	9—10—1918.	Do. of withdrawal of Rs. 2,120.
N15.	14—10—1916.	Do. of fixed deposit of Rs. 2,000 for 12 months.

N16.	17—10—1918.	Entry of withdrawal of Rs. 2,120 with interest.
N17.	23—10—1916.	Do. of fixed deposit of Rs. 2,000 for 12 months.
N18.	23—10—1918.	Do. of withdrawal of Rs. 2,120.
N19.	2—11—1916.	Do. of fixed deposit of Rs. 2,000 for 12 months.
N20.	7—11—1916.	Do. of Rs. 2,000.
N21.	9—11—1918.	Do. of withdrawal of Rs. 2,120.
O.	25-8-'15—25-8-'16.	Fixed deposit registers of M. C. C. C. S.
O1.	28-8-'16—9-8-'17.	
O2.	9—12—1915.	Entry of deposit of Rs. 10,000 corresponding to N3.
O3.	9—12—1916.	Do. of do. to N4.
P.	9—12—1915.	Paying in slip for Rs. 10,000 signed by Fr. Cavaliere
P1.	9—12—1916.	Withdrawal slip for Rs. 10,300 filled by P. W. 3 and signed by Fr. Cavaliere.
P2.	9—12—1916.	Paying in slip for Rs. 10,000 signed by do.
P3.	10—12—1917.	Withdrawal slip for Rs. 10,000 filled in by accused and signed by do.
P4.	Do.	Paying in slip for Rs. 10,000.
P5.	23— 9—1918.	Withdrawal slip for Rs. 10,300 signed by P. W. 4.
P6.	4— 5—1916.	Paying in slip for Rs. 2,000 signed by P. W. 3 for Fr. Cavaliere.
P7.	4— 5—1917.	Withdrawal slip for Rs. 2,120 signed by Fr. Cavaliere.
P8.	Do.	Paying in slip for Rs. 2,000 signed by do.
P9.	23— 9—1918.	Withdrawal slip for Rs. 2,120 signed by P. W. 4.
P10.	7—10—1916.	Paying in slip for Rs. 2,000 signed by P. W. 3 for Fr. Cavaliere.
P11.	9—10—1918.	Withdrawal slip for Rs. 2,120 signed by P. W. 6.
P12.	14—10—1916.	Paying in slip for Rs. 2,000 signed by P. W. 3 for Fr. Cavaliere.
P13.	17—10—1918.	Withdrawal slip for Rs. 2,120 signed by P. W. 6.
P14.	23—10—1916.	Paying in slip for Rs. 2,000 by P. W. 3 for Fr. Cavaliere.
P15.	26—10—1918.	Withdrawal slip for Rs. 2,120 signed by P. W. 6.
P16.	2—11—1916.	Paying in slip for Rs. 2,000 signed by P. W. 3 for Fr. Cavaliere.
P17.	9—11—1918.	Withdrawal slip for Rs. 2,120 signed by P. W. 6.
P18.	7—11—1916.	Paying in slip for Rs. 2,000 signed by P. W. 3 for Fr. Cavaliere.
P19.	9—11—1918.	Withdrawal slip for Rs. 2,120 signed by P. W. 6.
P20.	———————.	Paying in slip for Rs. 10,600 signed by Fr. Cavaliere.
P21.	———————.	Withdrawal slip for Rs. 10,000 signed by do.
Q.	20— 6—1916.	Letter of accused to Fr. Cavaliere.
R.	29— 6—1916.	Do.
S.	23— 9—1918.	Do.
T.	19— 9—1918.	Letter of P. W. 4.
U.	———————.	Book containing letter from the Generals of Jesuit Society.
U1.	14—10—1752.	Translation of letter in Exhibit U.
W.	29— 7—1920.	Search list of accused's father-in-law's house.
Y.	10— 9—1918.	Letter of Fr. Alberti to P. W. 6.
Y1.	———————.	Translation of Exhibit Y.

Z	4—11—1918 to 31—12—1919.	Pass book of Madras Bank.
AA.	3— 9—1920.	Statement of accused before the lower Court.
BB.	7— 9—1920.	Written statement of do. before do.

FOR DEFENCE.

I.	1919.	Rough cash book for 1919 of M. C. C. C. S.
II.	1-5-'18 to 3-8-'18.	Loan register of M. C. C. C. S.
III.	30— 8—1920.	Deposition of P. W. 3 before the lower Court.

The case was committed by M. R. Ry. K. C. Manavedan Raja Avl., B. A., Sub-Divisional I Class Magistrate Mangalore Division, in R. C. No. 1 of 1920 on his file.

(True copy).

Ag. Sessions Judge.

By order

R. h. Shenoy Clerk

WORDS: 6,262

D. No. 4301/11. XI. 20

To

The Assistant Registrar
Co-operative Societies
Mangalore.

With reference to his letter R.C. No. 287/U/20 dated 4. 11. 20.

Printed at the Codialbail Press, Mangalore, S. K.

Rev(Special) department.

Defalcation in the Mangalore Catholic Co-operative Credit Society in S Kanara dt.

C No. 1385 III/20.

To Under Secy

Please see the Registrar's letter in the C.F. No action seems called for on the report. The current may, if this submitted be recorded a draft order is submitted. for approval

2. The occurrence of this and other cases of defalcation reported in the S. Kanara district would seem to indicate that supervision of the existing non-official control is very slack in the district No remark need however perhaps be made by Govt the responsibility for this big defalcation firstly rests on the Board of management, which seems to have left the complete control of the Society in the hands of the secretary. In the second place, if the auditor of the Society called for the pass-books of big depositors & verified the entries in them with the cash-book, the defalcation could have been discovered

referred to in the letter in the thicker file.

L.a.R.
28/9/20

28.9.20

before it assumed such big dimensions the powers of the auditor are ample and he could have called for the pass-books. But in the ordinary course of things it might not have struck him to do this since he had no reasons to suspect anything wrong.

If the system of pass-books is to be introduced wholesale to primary societies even it is very essential that the auditors should be made to call for a fairly large no of them & compare the entries with those in the Cashbook and the Ledgers maintained in the societies.

S
Lud
20/9/20

I am not at all satisfied with the report in this case. I do not think it possible for an auditor to insist on the production of ~~receipts~~ pass books as a regular thing, and doubt if this is done in the case of any regular Bank audit. This point may be worth verifying. I do not know what precautions are taken during an ordinary Bank audit to see that frauds of this description do not occur. My own banks always send me an acknowledgment for all sums paid in apart from the entry subsequently made in the

the Pass-Book when that is sent in to be filled up. This perhaps corresponds to the system of duplicate receipts, which the Registrar says ought to have been but ~~is~~ was not followed in this case.

3. The following point is important. It appears that at successive audit examinations of this society the auditor pronounced the methods of the society to be irregular and unsafe. I should like to know the terms ~~on~~ which the report ~~is~~ was issued and whether ~~it is~~ they were published or communicated to the members and the depositors.

(N.B. I presume the depositors are not necessarily members)

4 It is clearly desirable if ~~these~~ a Bank's methods of account-keeping involve ~~mysterious processes~~ wider risks to depositors they should be made aware of their risk, and pressure should be brought on the society ~~before such pro-~~ by its clients ~~cedure~~. I should like also to ascertain what ~~notes~~ were passed on the reports by any officer above the rank of auditor. (Enquire)

Dickinson Rd. 14. Tuesday

£1 $ 16 1/10

Please turn over

Leaf 18 to 20

Secy

Registrar

Sunday 12

16/11

See note on this portion

In regular banks the auditors do not call for the pass-books from the depositors but it is the depositors that are solicitous for getting their pass-books verified & there are different methods followed as precautionary measures to avoid such frauds. In the Govt. Savings (Postal) Banks each deposit or withdrawal is confirmed by the issue of a slip from the Head Office, which shows the balance after the transaction. In the Madras Bank Savings Banks a quarterly certificate of balances is furnished to each depositor and got accepted by him after the necessary verification. The pass-books for the current accounts are written up periodically by the Bank: in addition the each deposit is borne out by a receipt and is withdrawal by a cheque. In these Banks a regular folio is maintained for each depositor and it is a true copy of the entries in the Pass-book. In this way two agreements is necessary between the Pass-book & the Bank's accounts.

But in our Co-operative banks, none of these precautions is being observed now. The duplicate receipts which the Regr referred to

do not go a long way in preventing the frauds in question what he suggested was that as soon as a deposit is paid into the Bank a counterfoil / it will be entered in his pass book initialed by the Secy and passed on to the depositor; in addition to this, a receipt shall have to be written in the original and on the duplicate of the Receipt book kept in the Bank the latter is given away to the depositor almost simultaneously with the pass book the former will be in the Bank's records & inspected to help the auditor to trace the payments in the cash book & Ledgers But the typewriter has the disadvantage of the owner of the two sets of receipts having one & the same and one could-minded Secy may issue the duplicate receipt to the depositor & make the original disappear from the Bank's records & thus evade the auditor's check.

My humble submission is that the system of maintaining accounts relating to pass-books requires through scrutiny with proper safeguards against such defalcations

3/ There are two kinds of audits. The statutory audit is the one conducted in the months of June & July; it is often

know of the Bank's methods of accounts-
keeping would induce them to think
But the policy hitherto followed has
been not to wait a panic and break
-down in a Bank's work by too much
carelessness in entrusting its ways of
working. Our hope has been to improve
its ways of working and to rectify the
mistakes discovered and thus bring it
into proper working order. But the whole
condition such break-down in im-
portant big banks are sure to set-
back the progress of the movement
considerably. But I am afraid, we
have followed this policy rather too
far, as the defalcations now stand.
There ought to be a change in procedure
and it will have to be settled in con-
sultation with the Regr The duties
of an auditor shall have to be more
clearly defined, so that there may be
a fixity of responsibility

5/. The Regr shall have to address
to Local up the reports referred to by him
about the defective accounts keeping
the orders passed on them by the
Asst Regr I have sent a telephone
message for them to the Regr. this day

K. Krishna

Local
16.10.20

4

T E L E P H O N E M E S S A G E.

From

The Under Secretary to Government,

Revenue (Special) Department,

To

The Registrar of Co-operative Societies.

In para 1 of your letter R.C: No. 3377, dated 21st Sept 1920, it is stated that, the defective account keeping by the Secretary of the Mangalore Catholic Co-operative Society was commented on by the auditors. Were these remarks made in the final or interim audit reports ? Please also say what action was taken by the Assistant Registrar of the section.

R E P L Y.

From

The Registrar of Co-operative Societies,

To

The Under Secretary to Government, Revenue (Spl) Dept.

The defects in the account keeping were brought to the notice of the society as long ago as 1917 in Assistant Registrar's letter No. 1057, dated 15th October 1917. Presumably this was detected in final audit. No action was taken thereon by the society. It is not clear what further action the Assistant Registrar took in subsequent years. The final audit orders are now being consulted. It was presumably at his instance that the General Body resolved in April 1919 that the system of issuing receipts should be enforced from July 1919. The Secretary failed to give effect to the resolution of the general body also. The defect was also noticed at the final audit of 1918.

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reply thereto at pp 5-12 CF

2. The Registrar reports that the defects were not mentioned in the audit orders but that they were taken to the notice of the Managing Body by a letter which was left behind by the Secretary.

3. A draft order on the lines of A at p 9 supra is submitted for consideration.

The audit reports called for in the O.M. have not been submitted by the Registrar.

Yat R. 11.1.21

Rec'd 14/1

RK 14.1.21

see Asst Regr's report, which forms an enclosure to the Regr's reply, states that copies of the Interim and Final Audit Reports were sent to the Regr. Assembly, the Regr thought it unnecessary to forward them to Govt. It is clear however that neither of the two kinds of reports contained any reference to the defective cash-book keeping, and that the omission to maintain a Receipts' book was brought to the Society's notice in a letter by the Asst Regr but this letter was not followed up subsequently. The Regr himself noted in his letter that the audit was not

and to its inability to carry out the general body's resolution to maintain Receipt books. As regards the latter portion of the draft-order the Deputy does not require to be told that audit-notes should be published; ~~in the section presently objected to~~ the bye-laws prescribe that they should be published in such a manner as the Regr prescribes. If these views are approved, the draft-order will be revised

5/ [illegible] 15-1-24

The Panchayat Deputy is [illegible] (such as that of 1917)
a letter might [illegible] to the members. (i.e. if they don't do it to see that [illegible] does it's own work etc.)
an audit report (published) is the only document [illegible] dissensions & [illegible] big risk from such misguided action
Also if the [illegible] in 1917 — a report had been published regarding the audit unfavourable, why did other Panchayats from the accounts at all? A firm of public accountants — which must surely

14 Before this G.O is issued, I should like to see a copy of the judgment of the Sessions judge, in which the Secretary of the society was sentenced.

K.V. Reddi
15/2/21.

A Obtain if possible.
SJ
19.2

To Under Secy.

With reference to Secretary's direction at A above a draft O.m to the Registrar is submitted.

Kmk
21-2-21

DR.
21.2.21
CR
21.2.21

(Issued as O.m. No 1385 III/20-2 dt 21.2.21)

To Under Secy

The Registrar has forwarded a copy of the judgment passed by the Sessions Judge South Kanara in the case against the late Secretary of the Mangalore Catholic Co-operative credit Society called for in O.m 1385 III/20-2 dt 21.2.21. It may be communicated to M3, who called for it.

Kmk
17.3.21

DR.
17.3.21.

Issue as M3 -1913

21.3.21
9.4.21

SJ
19.3.21

I have gone through the judgment of the Sessions Judge. It is not at all illuminating. I expected it would contain some references to, if not reflections on, the system of account keeping in the cooperative society. No such light is thrown by the judgment. On the other hand the misappropriation - it would appear from the judgment - was facilitated by the confidence reposed by the member (Father Cavalier) in the Secretary (accused). No doubt the system of account keeping was defective, but I am not sure if it can be said to be so seriously defective as to have tempted a ~~secretary~~ Society's secretary to commit defalcations, without much fear of discovery. But for the indulgence shown by Father Cavalier towards the accused the defalcation could have been discovered at a very early stage. I do not therefore like to admit in the draft G.O. that the defect in the system of account keeping rendered a big defalcation possible. I should therefore like to omit the last sentence in para 1 and the portion marked by me within brackets in para 2.

KW RdSh

Issue is amended 8.4.21.

SH
11.4.21

II-10(3)—502—8-8-19.

~~Development~~ DEPARTMENT

Co-operative societies.

Mangalore Catholic Credit Societies - Defalcation - Report.

READ AGAIN G.O. No. ....., dated 19

" " " " ..... " 19

READ ALSO:—

C. No. 1385 III From the Regr. C.S. ....., No. 3377/20, dated 21-9-20 19 .

O.M. to do. No. 1385 III/20-1, dated 26-10-20

" " ..... From " do. Regl. " 4329/20 " 3-1-21 19 .

" " ..... " " ..... " ..... " ..... 19 .

Received in fair copying section. 11-4-21.
Copied. M.R.V. 11-4-21.
Examined.
Signed.
Despatched.

ORDER.

No. 575; dated 11-4- 1921.

Mis. I

It is observed from the reports submitted by the Registrar that the chief cause of the defalcation is to be found - in the society's Board of management having failed to exercise proper control over the Secretary and having allowed him too free a hand in the management. A material defect in the society's methods was brought to the Secretary's notice in 1917 by the Asst. Registrar and continued unrectified ~~(This defect rendered possible the defalcation which took place in 1919.)~~

2. The Govt. agree with the Registrar's remarks in para. 6 of his ~~report~~ letter Regl No 4329 dt 3/1/21 that the department's audit methods in this case left much to be desired. It is clear that defective methods of account keeping ~~(so serious that they rendered a big defalcation possible)~~ ought not to be communicated to the society's officers by means of a letter, but

should be embodied and published in the final audit report. The Govt. agree with the Registrar that tenderness for the feelings of the society's managing body is entirely out of place in such a case, and indeed unjust both to the members of the society and to those depositors who have entrusted their money. // 3. Govt. however recognise that the Dept. has, much to learn in its methods and that in the area where the defalcation occurred the department was at the time understaffed. // They consider however that the facts of the present case should be widely circulated among the officers of the department in order that the case may be utilised as a warning.

18·2·21

DEPARTMENT
11 APR 1921

To the Regr. C.S.